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# **Can Assignment Incentives Alleviate Critical Shortages?**

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September 5, 2016

# Distribution Challenges

## **Remain**

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- Continued difficulty filling some jobs
  - Sea billets
  - Selected shore billets
- Non-monetary incentives constrain system
  - Fewer sailors available for sea duty
  - Guaranteed follow-on

Continued reliance  
on involuntary  
assignments

# Outline



- Costs of the current assignment system
- Potential incentives to encourage Sailors to volunteer for billets
- Cost-effectiveness of new incentives

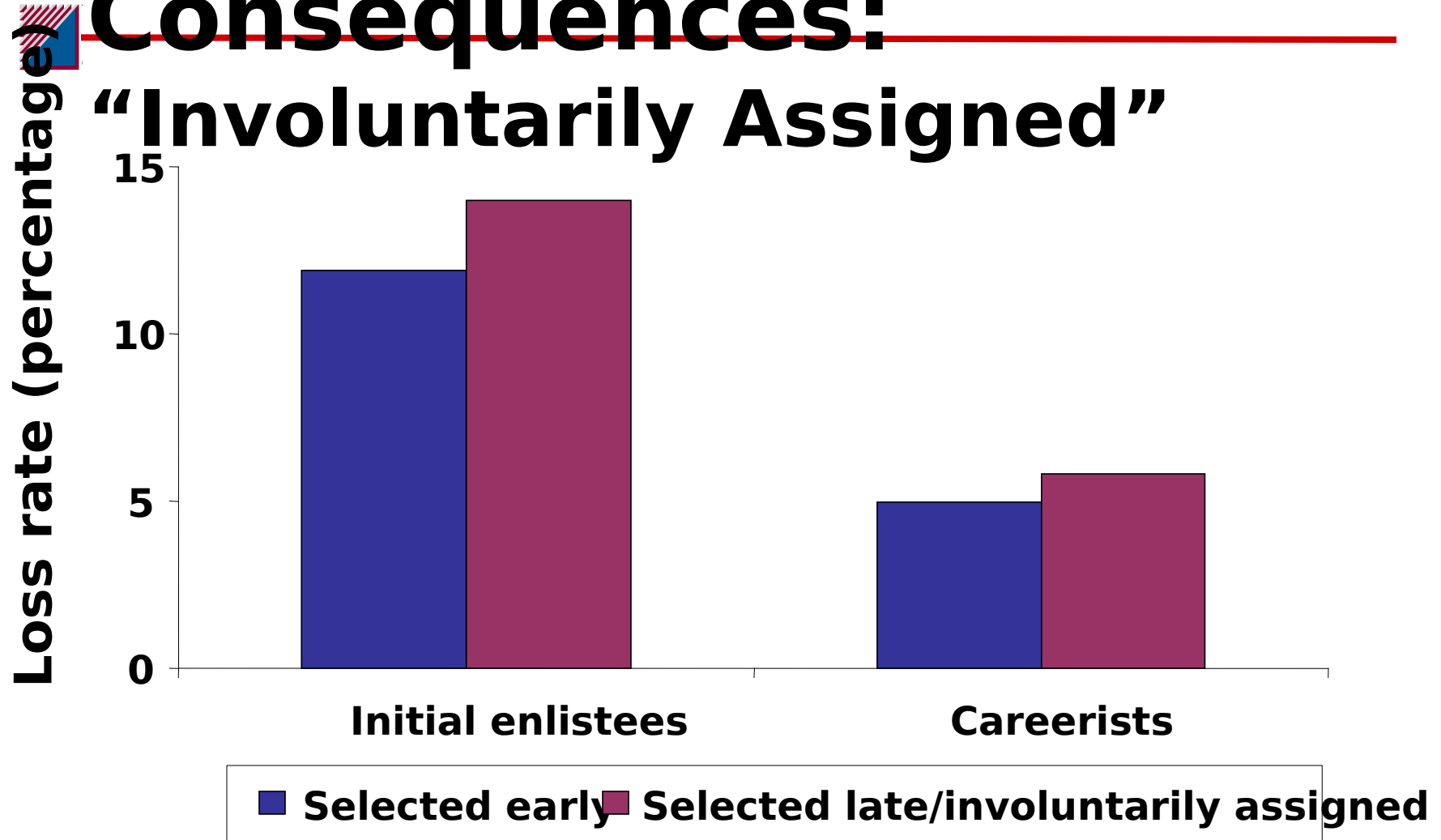
# Costs of the Current System

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- Lower retention
  - Sailor dissatisfaction with billet
- Lower fleet readiness
  - Not getting the right sailor to the right place at the right time (e.g., distortionary incentives)
  - Higher crew turnover, gapped billets
- Higher PCS and retraining costs
  - Rotations to “share the pain”
  - Higher billet turnover

# Retention

## Consequences: “Involuntarily Assigned”



# Hard-to-Fill CONUS

## Billets:



### Retention Costs

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- Can offset retention loss using SRBs
- Sailors “involuntarily assigned”
  - 5,000 sailors “involuntarily assigned” to CONUS shore billets each year
  - Total junior retention cost of 0.2 ppt and careerist retention cost of 0.15 ppt

\$22 million annually in additional SRB  
to offset retention cost

# Hard-to-Fill OCONUS

## Billets:

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- **Cost of Existing Incentives**
  - Approach 1: Sea duty credit reduces sailors available for true sea duty
    - About 9,000 sailors in overseas shore billets receiving sea duty credit
    - Cost to gain 9,000 work-years of sea duty
- Approach 2: Sea duty credit requires higher endstrength
  - Convert overseas shore billets to shore duty
  - Keep sea/shore ratio and reduce billets by 14,250
  - \$650 million x 30 percent savings

**\$85 to \$195 million annually**

# Findings on

## Volunteerism: Survey

## and Historical Data

- Sailors will volunteer for and stay in billets for additional pay
  - Pay required differs depending on location
  - \$50 per month in pay (CSP) increases sea tour completion by 3 ppt
- Sailors want to homebase
  - Particularly sailors with dependents
  - Mix of sailors stationed overseas may change
- Sailors value many incentives
  - But, pay has broader appeal



# What Incentives Might Encourage Sailors to

**Volunteer**

Monthly special pay

Preferred billet for next assignment

Annual leave

Reduction in sea tour length

Quicker time to promotion

Study and class time

Sea duty credit for shore tour

# Survey: Sailors Compare, Then Select Preferred

Assignment 1	Assignment 2	Assignment 3
Japan	San Diego	Hawaii
Extra \$200 per month	Extra \$800 per month	No extra pay
Extra 40 days of leave	Extra 10 days of leave	No extra leave
No time for study	4 hours to study	7 hours to study
9 month reduction in sea tour length	18 month reduction in sea tour length	6 month reduction in sea tour length
Promoted when expected	Promoted 3 months earlier	Promoted 12 months earlier
50% chance of next	Little chance of next	25% chance of 10 next

# Typical Sailor Will Volunteer

Full Sample	More Preferred Locations			
		San Diego	Norfolk	Pacific NW
Italy	+	\$315	\$160	\$60
Japan	+	\$675	\$465	\$300

Single Sailors	More Preferred Locations			
		San Diego	Norfolk	Pacific NW
Italy	+	\$360	\$0	\$20
Japan	+	\$610	\$125	\$170

# Estimated Cost of AIP



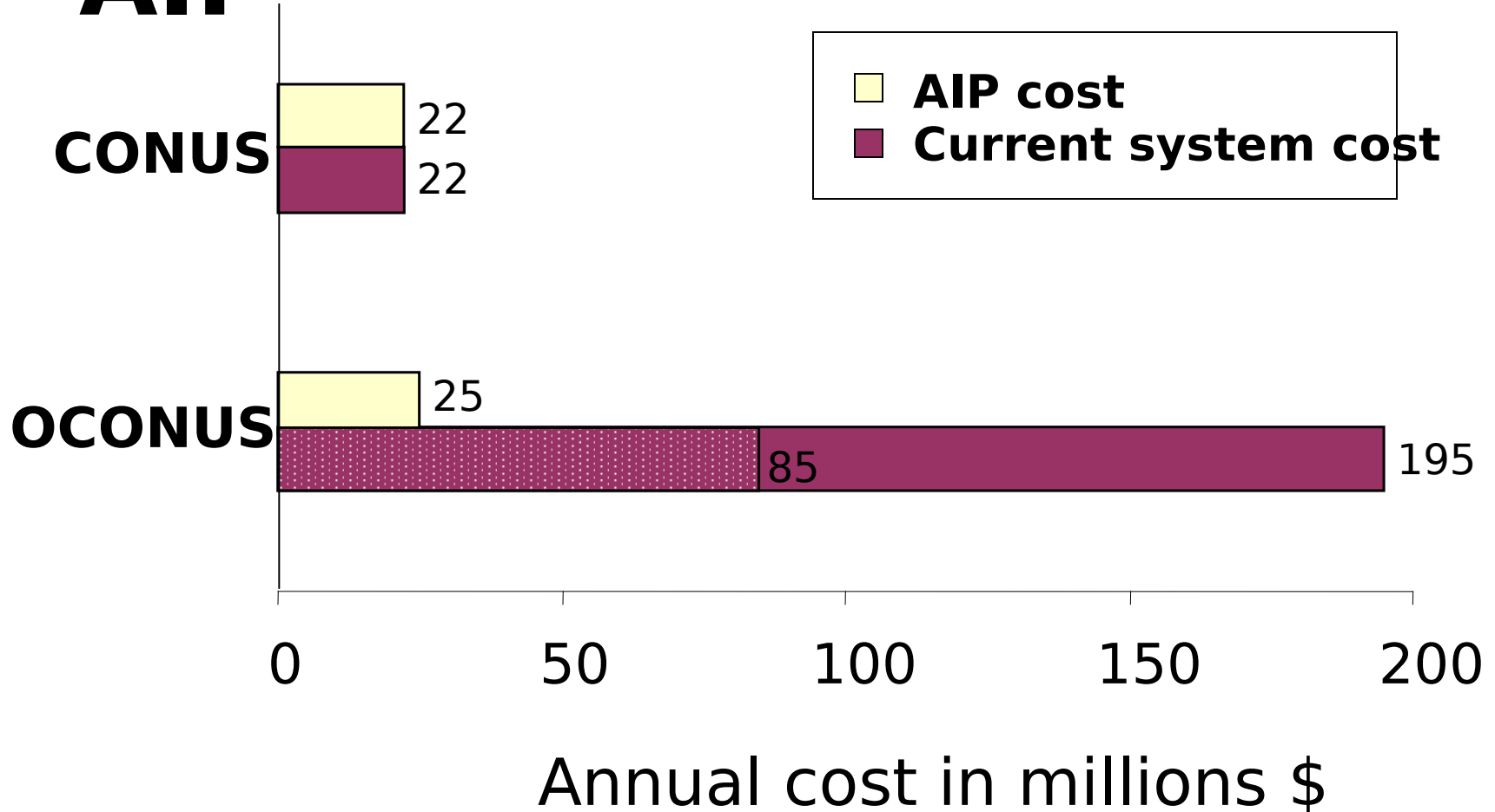
## Approach

- Use survey findings
- For OCONUS billets
  - Assume sailors choose between middle-preferred CONUS billet and overseas billet
- For CONUS billets
  - Assume sailors choose between middle-preferred and less preferred CONUS billet
- Actual costs will vary depending on AIP structure and sailors' responsiveness

# Cost-Effectiveness of



## AIP



# Conclusions



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- AIP cost-effective for OCONUS
  - Proceed with implementation
- But, AIP for CONUS billets may not be
  - Wait to implement in CONUS
  - Carefully design the incentive and study OCONUS AIP success
  - Won't be cost-effective if
    - AIP is not highly targeted
    - Sailors require larger AIP than we estimated

Questions?

